Manitoba

Annual Report 1986 - 87

Milk Prices Review Commission

MANITOBA MILK PRICES REVIEW COMMISSION
903 - 401 YORK AVENUE
WINNIPEG, MANITOBA
R3C 0P8

TELEPHONE 945-4935
AREA CODE 204

July 31, 1987

The Honourable B. Uruski
Minister of Agriculture
165 Legislative Building
WINNIPEG, Manitoba
R3C 0V8

Dear Sir:

Pursuant to the requirements of Section 7, subsection (1), "The Milk Prices Review Act" being Chapter 63 of Bill 86 assented to July 29, 1980, we have the honour to transmit to you the Annual Report of the Manitoba Milk Prices Review Commission for the Year ended March 31, 1987.

Respectfully submitted,

Paul Phillips (Dr.)
Chairperson

PP/rab

Manitoba

Minister of Agriculture

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

February 16, 1988

Lieutenant Governor for the
Province of Manitoba

Your Honour:

I have the honour to present herewith the Annual Report of The Manitoba Milk Prices Review Commission for the year ended March 31, 1987.

Yours respectfully,

Leonard E. Harapiak,
Minister

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MEMBERS OF THE

MANITOBA MILK PRICES REVIEW COMMISSION

as at March 31, 1987

Dr. Paul Phillips . . . . . Chairperson

Mr. Ray Matheson . . . . . Vice-Chairperson

Mr. Oli Narfason . . . . . Member

Ms. Marie-Blanche Oliviero . . . . . Member

Mr. Fernand Paquin . . . . . Member

Mr. Adrian Strutinsky . . . . Executive Secretary

INTRODUCTION

The Milk Prices Review Act assented to by the Legislative Assembly of Manitoba on July 29, 1980, governs the activities of the Commission. Responsibilities assigned to the Commission under the Act include the development and maintenance of a producer cost of production formula as the basis for fixing prices at other levels in the fluid milk industry and the authority to establish the maximum and/or minimum prices for milk sold to consumers as deemed necessary.

The Commission in 1986/87 maintained its extensive contact with the Manitoba Milk Producers' Marketing Board, the Manitoba Milk Producers' Co-op Inc., Manitoba milk processors and independent distributors, the Manitoba Dairy Association, Manitoba retailers, the Canadian Federation of Independent Grocers and the Consumers' Association of Canada, Manitoba Branch. Contacts were established and maintained with similar authorities and agencies in other jurisdictions. Future contact with these and other industry representatives are viewed as vital by the Commission.

One could sum up the Commission's goals using the word "stability" - a notion not unfamiliar in the area of

regulated commodities. In all deliberations, the Commission has emphasized the notion of fair play - that is, ensuring that milk prices reflect legitimate costs plus a fair rate of return. The Commission remains convinced that if fairness is exercised in all dealings with the fluid industry, then the Commission's chances of fulfilling its mandate will be greatly enhanced. That legislated mandate includes the maintenance of a steady supply of fluid milk to the consuming public at reasonable prices for all concerned.

PRODUCER MATTERS

1. PRODUCER PRICE CHANGE

On January 5, 1987, in Manitoba Regulation 286/86, the price paid Manitoba producers for fluid milk (Class 1) was reduced from $53/Hl to $51.90/Hl, a reduction of $1.10/Hl or 2.1 percent. The price reduction was due primarily to falling feed prices and interest rates as monitored by the Commission's cost of production formula.

The formula's specifications had been modified to keep abreast of current production trends and practices. The revisions to the formula were the culmination of a six month

review of the formula's continued suitability in the determination of all appropriate costs of production and included consultation with producer groups, Manitoba Agriculture staff and other industry experts.

2. CHANGE IN FLUID MILK BUTTERFAT DIFFERENTIAL

The Commission reviewed the butterfat differential formula as it applied to fluid milk sales by Manitoba producers. Manitoba Regulation 286/86 increased the differential to $0.52 from $0.48 assessed per 0.1 kg of butterfat above/below the provincial milk standard of 3.6 kg of butterfat per hectolitre.

PROCESSOR, JOBBER AND RETAILER MATTERS

1. WHOLESALE AND RETAIL PRICE CHANGE

As a result of the $1.10/Hl reduction in the producer Class 1 price on January 5, 1987, a corresponding 1¢ per litre reduction was effected in wholesale/jobber prices by the Fluid Milk Commission (Manitoba Regulation 285/86) and in retail prices by the Milk Prices Review Commission (Manitoba Regulation 284/86). The price reduction, at all industry levels, represented the first such occurrence in Manitoba's fluid milk industry in recent history.

2. ENFORCEMENT OF RETAIL PRICES

In January, 1987, two Winnipeg retailers were charged by the Attorney General of Manitoba for alleged contravention of the Milk Prices Review Act. In both cases, the retailers were engaged in pricing activity which appeared to contravene Section 6 of the Act - in particular, selling fluid milk below stipulated minimum retail prices. Investigations were conducted by the Commission and all information gathered was forwarded to the Attorney General for consideration of prosecution. As of March 31, 1987, both cases remained before the Provincial Judges Court.

3. AMENDMENTS TO MILK PRICES REVIEW ACT

Early in the 1986/87 fiscal year, the Commission became involved in the statute law amendment process required to effect changes deemed necessary in the Milk Prices Review Act. Once implemented, the amendments would:

1) streamline the operation of the milk price control system,
2) clarify certain provisions in the Act, in particular the Prohibition Section, and
3) update penalty provisions to present day values.

It is anticipated that the amendments would be introduced during the 1987 Session of the Legislature.

4. MONITOR IMPACT OF CONTROL SYSTEM

During 1986/87, the Commission continued to monitor the impact of the control system on the fluid milk industry. To assist in this endeavor particularly at the processor level, the Annual Processor Return, required from the trade since the Commission's inception, was thoroughly reviewed. The Return, as a result, was revised to improve its financial monitoring capabilities.

INTERNAL MATTERS

The Manitoba Milk Prices Review Commission met ten times during the reporting year in the course of performing its duties. The Manitoba Fluid Milk Commission, established by Manitoba Regulation 35/84 on March 1, 1984 under the Natural Products Marketing Act, met once during 1986/87. The setting of minimum and maximum wholesale prices for fluid milk is the primary responsibility of that Commission, which is comprised of the same membership as the Manitoba Milk Prices Review Commission.

The Commission's daily activities were performed by Adrian W. Strutinsky, serving as Executive Secretary. Jessie R. Mamaril serves as the Commission's Secretary-Bookkeeper. The Commission's staff are provided by the Economics Branch, Manitoba Agriculture.

The Commission retained Ms. Gail Mildren, Justice Division of the Provincial Attorney General's Department as legal counsel. The firm of Murray McClarty and Company continued to be retained as financial analysts. The audit of Commission finances was performed by the Provincial Auditor's Office.

Manitoba

Office of the Provincial Auditor

THE MANITOBA MILK PRICES REVIEW COMMISSION

Auditor's Report and Financial Statements
for the year ended March 31, 1987

Manitoba

THE MANITOBA MILK PRICES REVIEW COMMISSION

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A and B, of The Manitoba Milk Prices Review Commission for the fiscal year ended March 31, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

F. H. Jackson, CA,
Provincial Auditor.

September 9, 1987,
Winnipeg, Manitoba.

Exhibit A

THE MANITOBA MILK PRICES REVIEW COMMISSION

Balance Sheet
as at March 31, 1987
(with 1986 figures for comparison)

	1987	1986
ASSETS		
Current Assets:		
Cash	$14,760	$8,380
Account receivable	173	-
Prepaid expense	444	-
	$15,377	$8,380
LIABILITIES AND UNEXPENDED FUNDS		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 2,077	$3,110
Unexpended funds, Exhibit B	13,300	5,270
	$15,377	$8,380

THE MANITOBA MILK PRICES REVIEW COMMISSION

Statement of Revenue and Expenditure and Unexpended Funds
for the year ended March 31, 1987
(with 1986 figures for comparison)

	1987	1986
Revenue:		
Grant from the Government of the Province of Manitoba	$29,968	$44,102
Interest	234	244
	$30,202	$44,346
Expenditure:		
Annual report	583	462
Commission - per diem and benefits	3,921	4,295
- travel	4,265	4,964
Office and postage	2,117	1,864
Professional fees	7,789	5,195
Salaries and benefits (Note 3)	1,898	22,659
Sundry	1,039	1,375
Telephone	560	1,778
	$22,172	$42,592
Revenue over expenditure	8,030	1,754
Unexpended funds, beginning of year	5,270	3,516
Unexpended funds, end of the year, Exhibit A	$13,300	$5,270

THE MANITOBA MILK PRICES REVIEW COMMISSION

Notes to Financial Statements

for the year ended March 31, 1987

1. Nature of the Commission

The Milk Prices Review Act was enacted effective September 29, 1980. This act established the Manitoba Milk Prices Review Commission to monitor prices of fluid milk, to set the price at which milk may be sold by a producer for use as fluid milk and, if necessary, to set maximum and/or minimum prices at which fluid milk may be sold to consumers.

2. Accounting Policies

a) The Commission uses the accrual basis of accounting.

b) Office equipment purchases are charged to operations in the year of acquisition.

3. Services Provided by the Government of the Province at no Charge

The Government of the Province of Manitoba provides the services of an Executive Secretary, office accommodations,

miscellaneous administrative services and effective May 1, 1986 the services of a bookkeeper at no charge to the Commission.

4. The Manitoba Fluid Milk Commission

The Manitoba Fluid Milk Commission was established effective March 1, 1984 by regulation under the Natural Products Marketing Act. The Manitoba Fluid Milk Commission may set maximum and/or minimum or fixed prices at which fluid milk may be sold by a distributor or processor. The members of the Manitoba Fluid Milk Commission are also members of the Manitoba Milk Prices Review Commission. Administrative services for the Manitoba Fluid Milk Commission are provided by staff of the Manitoba Milk Prices Review Commission and the Government of the Province of Manitoba without charge.

THE MILK PRICES REVIEW ACT
(C.C.S.M. c. M130)

Manitoba Regulation 168/84, amendment

Regulation 284/86
Filed December 19, 1986

Title repealed and substituted

1 The title and the subtitle of Manitoba Regulation 168/84 being "Order No. 3/84 of the Manitoba Milk Prices Review Commission made pursuant to the Milk Prices Review Act establishing the minimum and maximum prices at which fluid milk may be sold to consumers in Manitoba" is repealed and the following title is substituted:

THE MILK PRICES REVIEW ACT
(C.C.S.M. c. M130)

Fluid Milk Retail Price Order

Schedule I repealed and substituted

2 Schedule I of the order is repealed and Schedule I attached is substituted.

Repeal

3 Manitoba Regulation 204/85 is repealed.

Coming into force

4 This order comes into force on January 5, 1987, or on the day it is filed with the Registrar of Regulations, whichever is later.

December 18, 1986 THE MANITOBA MILK PRICES REVIEW COMMISSION:

Ray Matheson
Vice Chairperson

Adrian W. Strutinsky
Secretary

SCHEDULE I

MINIMUM RETAIL PRICES FOR CLASS I MILK
(excepting buttermilk)

	250 ml	500 ml	1L	2L	4L	20L
Homogenized milk	.30	.50	.88	1.74	3.42	17.75
2% milk	.29	.49	.85	1.68	3.30	17.15
Skim milk	.28	.46	.79	1.56	3.06	15.95
Chocolate milk 2%	.33	.56	.99	1.96	3.86	19.95

MAXIMUM RETAIL PRICES FOR CLASS I MILK
(excepting buttermilk)

	250 ml	500 ml	1L	2L	4L	20L
Homogenized milk	.32	.53	.94	1.86	3.66	18.95
2% milk	.31	.52	.91	1.80	3.54	18.35
Skim milk	.29	.49	.85	1.68	3.30	17.15
Chocolate milk 2%	.34	.59	1.05	2.08	4.10	21.15

THE NATURAL PRODUCTS MARKETING ACT
(C.C.S.M. c. N20)

Manitoba Regulation 203/85, amendment*

Regulation 285/86
Filed December 19, 1986

Title repealed and substituted
1 The title and sub-title of Manitoba Regulation 203/85 being "Order No. 3/85 of The Manitoba Fluid Milk Commission made pursuant to The Manitoba Fluid Milk Marketing Plan, Being Manitoba Regulation No. 35/84, Enacted Pursuant to The Natural Products Marketing Act, to Regulate the Wholesale Marketing of Fluid Milk in Manitoba by Repealing and Replacing Order No. 3/84 (Being Manitoba Regulation 167/84), Order No. 1/85 (Being Manitoba Regulation No. 32/85) and Order No. 2/85 (Being Manitoba Regulation No. 130/85)" is repealed and the following title is substituted:

THE NATURAL PRODUCTS MARKETING ACT
(C.C.S.M. c. N20)

Fluid Milk Wholesale Price Order

Schedules I, II and III repealed and substituted
2 Schedules I, II and III of the order are repealed and Schedules I, II and III attached are substituted.

Coming into force
3 This order comes into force on January 5, 1987 or on the day it is filed with the Registrar of Regulations, whichever is later.

December 18, 1986 THE MANITOBA FLUID MILK COMMISSION:

Ray Matheson
Vice Chairperson

Adrian W. Strutinsky
Secretary

*This order is made under The Manitoba Fluid Milk Marketing Plan, Manitoba Regulation 35/84.

SCHEDULE I

Container Sizes	250 ml	500 ml	1L	2L	4L	20L
MAXIMUM WHOLESALE PRICES						
Homogenized milk	.29	.485	.85	1.68	3.30	17.15
2% milk	.285	.47	.82	1.62	3.18	16.55
Skim milk	.27	.44	.76	1.50	2.94	15.35
Chocolate milk 2%	.32	.54	.96	1.90	3.74	19.35
MINIMUM WHOLESALE PRICES						
Homogenized milk	.27	.44	.76	1.50	2.94	15.35
2% milk	.26	.425	.73	1.44	2.82	14.75
Skim milk	.25	.395	.67	1.32	2.58	13.55
Chocolate milk 2%	.30	.495	.87	1.72	3.38	17.55

SCHEDULE II

(a) Where total purchases in the preceding month exceed 1600 litres and are 3200 litres or less

	250 ml	500 ml	1L	2L	4L	20L
Homogenized milk	.29	.48	.84	1.66	3.26	16.95
2% milk	.28	.465	.81	1.60	3.14	16.35
Skim milk	.27	.435	.75	1.48	2.90	15.15
Chocolate milk 2%	.32	.535	.95	1.88	3.70	19.15

(b) Where total purchases in the preceding month exceed 3200 litres and are 4800 litres or less

Homogenized milk	.29	.475	.83	1.64	3.22	16.75
2% milk	.28	.46	.80	1.58	3.10	16.15
Skim milk	.265	.43	.74	1.46	2.86	14.95
Chocolate milk 2%	.315	.53	.94	1.86	3.66	18.95

(c) Where total purchases in the preceding month exceed 4800 litres and are 6400 litres or less

Homogenized milk	.285	.47	.82	1.62	3.18	16.55
2% milk	.28	.455	.79	1.56	3.06	15.95
Skim milk	.26	.425	.73	1.44	2.82	14.75
Chocolate milk 2%	.31	.525	.93	1.84	3.62	18.75

(d) Where total purchases in the preceding month exceed 6400 litres and are 8000 litres or less

Homogenized milk	.28	.465	.81	1.60	3.14	16.35
2% milk	.275	.45	.78	1.54	3.02	15.75
Skim milk	.26	.42	.72	1.42	2.78	14.55
Chocolate milk 2%	.31	.52	.92	1.82	3.58	18.55

(e) Where total purchases in the preceding month exceed 8000 litres and are 12000 litres or less

Homogenized milk	.28	.46	.80	1.58	3.10	16.15
2% milk	.27	.445	.77	1.52	2.98	15.55
Skim milk	.26	.415	.71	1.40	2.74	14.35
Chocolate milk 2%	.31	.515	.91	1.80	3.54	18.35

(f) Where total purchases in the preceding month exceed 12000 litres and are 16000 litres or less

Homogenized milk	.28	.455	.79	1.56	3.06	15.95
2% milk	.27	.44	.76	1.50	2.94	15.35
Skim milk	.255	.41	.70	1.38	2.70	14.15
Chocolate milk 2%	.305	.51	.90	1.78	3.50	18.15

(g) Where total purchases in the preceding month exceed 16000 litres and are 20000 litres or less

Homogenized milk	.275	.45	.78	1.54	3.02	15.75
2% milk	.27	.435	.75	1.48	2.90	15.15
Skim milk	.25	.405	.69	1.36	2.66	13.95
Chocolate milk 2%	.30	.505	.89	1.76	3.46	17.95

(h) Where total purchases in the preceding month exceed 20000 litres and are 28000 litres or less

Homogenized milk	.27	.445	.77	1.52	2.98	15.55
2% milk	.265	.43	.74	1.46	2.86	14.95
Skim milk	.25	.40	.68	1.34	2.62	13.75
Chocolate milk 2%	.30	.50	.88	1.74	3.42	17.75

(i) Where total purchases in the preceding month exceed 28000 litres

Homogenized milk	.27	.44	.76	1.50	2.94	15.35
2% milk	.26	.425	.73	1.44	2.82	14.75
Skim milk	.25	.395	.67	1.32	2.58	13.55
Chocolate milk 2%	.30	.495	.87	1.72	3.38	17.55

SCHEDULE III

WHOLESALE PRICES FOR SALES TO JOBBERS

Container Sizes	250 ml	500 ml	1L	2L	4L	20L
Homogenized milk	.23	.395	.70	1.38	2.70	14.15
2% milk	.225	.38	.67	1.32	2.58	13.55
Skim milk	.21	.35	.61	1.20	2.34	12.35
Chocolate milk 2%	.26	.45	.81	1.60	3.14	16.35

THE MILK PRICES REVIEW ACT
(C.C.S.M. c. M130)

Manitoba Regulation 26/84, amendment

Regulation 286/86
Filed December 19, 1986

Title repealed and substituted
1 The title and the subtitle of Manitoba Regulation 26/84 being "The Manitoba Milk Prices Review Commission Order No. 1/84 made pursuant to The Milk Prices Review Act establishing a cost of production formula reflecting the cost of production of milk for use as fluid milk in Manitoba and fixing the price determined by that formula for the sale of milk by a producer or a producer board for use as fluid milk, repealing the Manitoba regulations referred to in section 5 of the Order" is repealed and the following title is substituted:

THE MILK PRICES REVIEW ACT
(C.C.S.M. c. M130)

Milk Cost of Production Order

Clause 2(a) amended
2 Clause 2(a) of the order is amended by deleting the words "No. 1/84".

Section 4 amended
3 Section 4 of the order is amended by repealing the words "48 cents" and substituting the words "52 cents".

Schedule I repealed and substituted
4 Schedule I of the order is repealed and the Schedule attached is substituted.

Coming into force
5 This order comes into force on January 5, 1987, or on the day it is filed with the Registrar of Regulations, whichever is later.

December 18, 1986 THE MANITOBA MILK PRICES REVIEW COMMISSION:

Ray Matheson
Vice Chairperson

Adrian W. Strutinsky
Secretary

SCHEDULE I
Formula 11/86

November 1986, costs per hectolitre

Operating Expenses	$ 7.16
Feed and Bedding	15.52
Direct Labour	10.94
Management Fee	4.38
Relief Milker Allowance	.55
Herd Replacement	2.00
Depreciation	3.79
Return on Assets	4.41
	$48.75

Step 1 – cost of production formula results
$48.75

Step 2 – add transportation and other marketing costs
$48.75 + $2.34 = $51.09

Step 3 – add buffer (or 10% sleeve) adjustment
$51.09 + $.44 = $51.53

Step 4 – add differential for Northern cost of production
$51.53 + $.07 = $51.60

Step 5 – add fluid levy
$51.60 + $.30 = $51.90